

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  IOWA TELECOMMUNICATIONS SERVICES, INC., d/b/a IOWA TELECOM	DOCKET NO. RPU-02-4
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**ORDER APPROVING TEMPORARY RATES AND BOND**

(Issued June 21, 2002)

On May 24, 2002, Iowa Telecommunications Services, Inc. (Iowa Telecom), filed with the Utilities Board (Board) proposed tariffs for a temporary rate increase, identified as TF-02-224. Iowa Telecom is proposing a temporary increase that would produce additional annual revenue of approximately \$7,092,412. At the same time, Iowa Telecom filed other proposed tariffs for a series of phased-in permanent rate increases, identified as TF-02-225, TF-02-226, and TF-02-227. On June 17, 2002, the Board issued an order docketing the proposed temporary and permanent rate increases as Docket No. RPU-02-4.

Iowa Telecom filed the proposed tariffs pursuant to Senate File 429 of the most recent legislative session, which amends Iowa Code § 476.97(11) (2001). With respect to temporary rates, Section 4 of Senate File 429 creates a new § 476.97(11)"j", which provides in relevant part as follows:

j. Upon the request of a local exchange carrier, the board shall, when required by this subsection, grant the carrier temporary authority to place in effect seventy-five percent, or

such lesser amount as the carrier may request, of the requested increases in rates, charges, schedules, or regulations by filing with the board a bond conditioned upon the refund in a manner to be prescribed by the board of any amounts collected from any customer class in excess of the amounts which would have been collected under rates, charges, schedules, or regulations finally approved by the board. The board shall approve a request for temporary authority within thirty days after the date of filing of the request. The decision shall be effective immediately.

Iowa Telecom's proposed temporary rates are calculated to produce increased annual revenues of not more than 75 percent of the increased annual revenues proposed by Iowa Telecom for the first year of the phase-in.

Iowa Telecom also filed a \$5 million bond to provide surety for any refunds that may be required by the Board. Iowa Telecom does not explain the manner in which it chose the amount of the bond, but the Board finds the amount to be reasonable based upon the following analysis: Pursuant to Senate File 429, the Board must decide this case within 240 days of the date of filing and the interim rate order must issue within 30 days of the date of filing. In a hypothetical worst-case analysis, if Iowa Telecom were to collect interim rates for the full 210 available days and the Board's final decision modified the proposed increase to no increase at all, Iowa Telecom would have collected approximately  $[(\$7,092,412 \text{ divided by } 365 \text{ days}) \text{ times } 210 \text{ days equals}] \$4,080,566$ , or about 80 percent of the amount of the bond. The remaining amount of the bond would be sufficient to cover the reasonable costs of making any refunds, so it appears the amount of the bond is sufficient.

The Board has reviewed Iowa Telecom's proposed temporary rate increase and will approve it. The amount of the proposed increase is not more than 75 percent of the proposed increase for the first year and the bond appears to be adequate, at least for the time during which this proceeding is pending before the Board in its current status. If Iowa Telecom should continue to collect temporary rates after the conclusion of the Board proceedings, or if issues amounting to a rate reduction are raised in this proceeding, it may be necessary to consider whether the existing bond continues to be adequate or whether a new or additional bond is required, but those contingencies need not be considered at this time.

Iowa Telecom proposed an effective date for TF-02-224 of June 25, 2002, which is more than 30 days after the filing date. Senate File 429, Section 4, provides that a Board order approving a request for temporary authority will normally be effective immediately. However, the Board understands that Iowa Telecom prefers to implement interim rates in a manner coordinated with its existing billing cycle and consistent with the customer notification process it has used, and therefore has proposed to implement temporary rates beginning with bills issued on June 25, 2002, and continuing on subsequent bills. The Board finds this implementation schedule to be a reasonable proposal that is in the public interest and will approve it.

**IT IS THEREFORE ORDERED:**

1. The proposed temporary rate tariff filed on May 24, 2002, by Iowa Telecommunications Services, Inc., identified as TF-02-224, is approved, effective

with bills issued June 25, 2002, and thereafter, subject to refund pursuant to the terms of Senate File 429, Section 4, of the 79th General Assembly.

2. The bond filed in this docket on May 24, 2002, by Iowa Telecommunications Services, Inc., is approved as described in this order.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 21<sup>st</sup> day of June, 2002.